

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

CEA-02 AGR-20 DRC-01 /222 W
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TAGS: ETRD, EFIN, YO

SUBJECT: FEDERAL ASSEMBLY DEBATES GOY ASSESSMENT OF EIGHT-
MONTH ECONOMIC TRENDS AND PROVIDES FIRST FORECAST
OF FULL-YEAR 1973 RESULTS

REF: BELGRADE A-440

1. BEING SUMMARY. FEDERAL ASSEMBLY REVIEWED FEDERAL EXECUTIVE
COUNCIL (FEC) EIGHT-MONTH ASSESSMENT OF ECONOMY ON SEPTEMBER 18.
LIQUIDITY IMPROVED, FOREIGN TRADE UP, SUPPLY/DEMAND IN BASIC
EQUILIBRIUM, FOREIGN EXCHANGE RESERVES CONTINUE TO MOUNT,
PROSPECTS FOR PICKUP IN PRODUCTION GOOD. RETAIL PRICE AND
COST OF LIVING INCREASES HAVE BEEN SLOWED, BUT INFLATION STILL
THE MAJOR DOMESTIC PROBLEM. FULL-YEAR 1973 PROJECTIONS
ANTICIPATE 7 PERCENT INCREASE IN INDUSTRIAL PRODUCTION;
2 PERCENT INCREASE IN EMPLOYMENT; EXPORTS UP 18 PERCENT AND
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IMPORTS UP 36 PERCENT; PERSONAL INCOMES, RETAIL PRICES AND

COST OF LIVING INCREASES ALL IN 20 PERCENT RANGE. END SUMMARY.

2. FEDERAL ASSEMBLY DEBATED FEDERAL EXECUTIVE COUNCIL ASSESSMENT OF ECONOMIC TRENDS AT SESSION SEPTEMBER 18. ACCORDING TO FEC SPOKESMAN (SECRETARY FOR ECONOMIC TRENDS NISIM KONFINO), LIQUIDITY IN ECONOMY HAS BEEN "ESSENTIALLY IMPROVED," FOREIGN TRADE IS BETTER AND DEMAND/SUPPLY RELATIONSHIPS ARE IN BETTER BALANCE THROUGH INCREASED PRODUCTION AND IMPORTS. CONTINUED HIGH RATE OF INFLATION ATTRIBUTED TO LONG-TERM STRUCTURAL SHORTCOMINGS AND DISCREPANCIES.

3. BUSINESS INSOLVENCY NOW REDUCED TO "TOLERABLE" LEVELS: WORKING CAPITAL RESOURCES OF PRODUCTIVE SECTOR HAVE DOUBLED SINCE BEGINNING OF YEAR, AND OVERALL UNSETTLED OBLIGATIONS (INSOLVENCY) REDUCED FROM 19.8 BILLION ND END OF 1972 TO 6 BILLION ND AT PRESENT TIME.

4. EXPORTS IN FIRST EIGHT MONTHS OF YEAR UP 22 PERCENT TO \$1.735 MILLION; IMPORTS UP 38 PERCENT TO \$2.748 MILLION. TRADE DEFICIT THUS \$1.013 BILLION. FOR FIRST SEVEN MONTHS, IMPROVEMENTS IN INVISIBLES RECEIPTS BY ONE-THIRD OVER CORRESPONDING PERIOD 1972 OFFSETS TRADE DEFICIT AND GIVES YUGOSLAVIA CURRENT ACCOUNT SURPLUS FOR JAN-JULY 1973 ACCORDING TO KONFINO. FOREIGN EXCHANGE RESERVES NOW EQUALS \$1.385 BILLION; UP \$461 MILLION SO FAR IN 1973. RISE IN IMPORTS CHARACTERIZED AS GOOD FROM POINT OF VIEW OF ASSISTING INCREASED PRODUCTION AND FOR ENABLING SUPPLY TO KEEP APACE OF DEMAND. EXPORT GROWTH CALLED IMPORTANT FACTOR IN MORE DYNAMIC PRODUCTION.

5. KONFINO NOTED THAT RISES IN PERSONAL CONSUMPTION AND GOVERNMENT SOCIAL SERVICE EXPENDITURES AS WELL AS EXPORT WILL LEAD TO "REVIVAL" OF ECONOMIC ACTIVITY IN REMAINDER OF YEAR AND BOOST INDUSTRIAL PRODUCTION FROM PRESENT 6.6 PERCENT RATE. RAPID INCREASE IN MONEY SUPPLY CALLED BENEFICIAL FROM POINT OF VIEW OF LESSENING INSOLVENCY BUT DANGEROUS STIMULANT TO INFLATION. RETAIL PRICE AND COST OF LIVING INCREASES WERE REPORTEDLY SLOWED IN SUMMER MONTHS. KONFINO HOPES THIS TREND WILL CONTINUE BUT UNCLASSIFIED

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POINTS OUT THAT YUGOSLAVIA IS EXPOSED TO STRONG INFLATIONARY PRESSURES FROM ABROAD.

6. IN ENSUING FA DEBATE, ECONOMIC CHAMBER PRESIDENT GRIVCEV GAVE FOLLOWING FULL-YEAR 1973 FORECASTS CULLED FROM VARIOUS OFFICIAL GOY SOURCES; INDUSTRIAL PRODUCTION UP 7 PERCENT; PERSONAL EARNINGS UP 20 PERCENT; EMPLOYMENT UP 2 PERCENT; EXPORTS UP 18 PERCENT; IMPORTS UP 36 PERCENT; RETAIL PRICES

UP 18-19 PERCENT; PRODUCER PRICES UP 20-21 PERCENT; COST
OF LIVING UP 20-21 PERCENT.

7. DEBATE AS REPORTED FOCUSSED MORE ON PROBLEMS - INFLATION,
SLOW STRUCTURAL CHANGES, SHORTAGES (MEAT, ELECTRICITY) --
AND CALLED FOR STEPPED-UP ACTION, PARTICULARLY AGAINST
INFLATION. FA PRESIDENT TODOROVIC SUMMED UP DEBATE BY CALLING
FOR GREATER EFFORTS IN STABILIZATION, BETTER COORDINATION OF
SHORT-AND LONG-TERM MEASURES, AND GREATER USE OF FOREIGN EXCHANGE
RESERVES FOR RAW MATERIAL/SEMI-MANUFACTURE PURCHASES. MOST IN-
TERESTING POINT WAS STATEMENT THAT BETTER RESULTS IN STABLI-
ZATION IMPOSSIBLE TO ACHIEVE WITH RATE OF GROWTH LESS THAN 8-9
PERCENT.
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